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**CAPITOL CITY FAMILY HEALTH
CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31, 2008
(With Summarized Financial
Information for 2007)**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/30/09



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**CAPITOL CITY FAMILY HEALTH
CENTER, INC.**

AUDITED FINANCIAL STATEMENTS

**DECEMBER 31, 2008
(With Summarized Financial
Information for 2007)**



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CERTIFIED PUBLIC ACCOUNTANTS

CAPITOL CITY FAMILY HEALTH CENTER, INC.
December 31, 2008
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**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Capitol City Family Health Center, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Capitol City Family Health Center, Inc. (a nonprofit organization) as of December 31, 2008, and the related statement of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated June 6, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capitol City Family Health Center, Inc., as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2009, on our consideration of the organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Capitol City Family Health Center, Inc., taken as a whole. The schedules on pages 14 through 18 are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Banks, Finley, White & Co.
June 26, 2009

EXHIBIT I

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Statement of Financial Position
December 31, 2008
(With Summarized Financial Information for 2007)

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash	\$ 173,810	\$ 785,931
Certificate of deposit	58,341	55,077
Patient care receivables, less allowance of \$93,671 for doubtful accounts	107,583	211,657
Grants and contracts receivable (Note 11)	670,888	473,522
Accounts receivable, other	17,939	-
Accrued interest receivable	410	373
Prepaid expenses	9,365	6,815
Total Current Assets	<u>1,036,136</u>	<u>1,533,375</u>
Fixed Assets:		
Land	359,951	359,951
Building	3,505,745	3,355,863
Furniture and equipment	1,180,011	779,020
Less: Accumulated depreciation	<u>(784,608)</u>	<u>(580,348)</u>
Net Fixed Assets	<u>4,261,099</u>	<u>3,914,486</u>
TOTAL ASSETS	<u>\$ 5,297,235</u>	<u>\$ 5,447,861</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 141,819	\$ 615,319
Salaries payable	34,153	26,419
Payroll taxes payable	3,230	13,536
Accrued annual leave	36,503	31,041
Refundable advance (Note 19)	238,259	144,055
Retainage payable	3,244	148,007
Line of credit payable	213,402	-
Short-term notes payable (Note 12)	<u>1,400,000</u>	<u>1,400,000</u>
Total Current Liabilities:	<u>2,068,610</u>	<u>2,378,377</u>
Total Liabilities	<u>2,068,610</u>	<u>2,378,377</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	366,926	554,398
Fixed assets	<u>2,861,699</u>	<u>2,515,086</u>
Total Net Assets	<u>3,228,625</u>	<u>3,069,484</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,297,235</u>	<u>\$ 5,447,861</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT II

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Statement of Activities
For the Year Ended December 31, 2008
(With Summarized Financial Information for 2007)

	<u>CURRENT UNRESTRICTED</u>			
	<u>Operations</u>	<u>Fixed Assets</u>	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ <u>2,640,889</u>	<u>-</u>	\$ <u>2,640,889</u>	\$ <u>3,659,786</u>
Total Support	<u>2,640,889</u>	<u>-</u>	<u>2,640,889</u>	<u>3,659,786</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$1,033,954	1,216,218	-	1,216,218	1,292,771
Interest income	1,301	-	1,301	2,784
Other income	<u>21,025</u>	<u>-</u>	<u>21,025</u>	<u>8,847</u>
Total Revenue	<u>1,238,544</u>	<u>-</u>	<u>1,238,544</u>	<u>1,304,402</u>
TOTAL SUPPORT AND REVENUES	<u>3,879,433</u>	<u>-</u>	<u>3,879,433</u>	<u>4,964,188</u>
EXPENSES				
Program Services				
Health care services	1,182,832	-	1,182,832	850,231
Community services	<u>820,811</u>	<u>-</u>	<u>820,811</u>	<u>803,981</u>
Total Program Services	<u>2,003,643</u>	<u>-</u>	<u>2,003,643</u>	<u>1,654,212</u>
Supporting Services				
Management and general	<u>1,512,389</u>	<u>204,260</u>	<u>1,716,649</u>	<u>1,234,667</u>
Total Supporting Services	<u>1,512,389</u>	<u>204,260</u>	<u>1,716,649</u>	<u>1,234,667</u>
TOTAL EXPENSES	<u>3,516,032</u>	<u>204,260</u>	<u>3,720,292</u>	<u>2,888,879</u>
Change in Net Assets	363,401	(204,260)	159,141	2,075,309
Net Assets, Beginning of Year	554,398	2,515,086	3,069,484	994,175
Other changes in Net assets				
Acquisition of fixed assets	<u>(550,873)</u>	<u>550,873</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	\$ <u>366,926</u>	<u>2,861,699</u>	\$ <u>3,228,625</u>	\$ <u>3,069,484</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT III

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Statement of Cash Flows
For the Year Ended December 31, 2008
(With Summarized Financial Information for 2007)

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	2008	2007
Changes in Net Assets	\$ 159,141	\$ 2,075,308
Adjustments to reconcile changes in assets to net cash provided by(used in) operating activities:		
Depreciation expense	204,260	85,689
Decrease (increase) in:		
Patient care receivables	104,073	(90,952)
Grants and contracts receivable	(197,366)	(366,977)
Accrued interest receivable	(37)	292
Accounts receivable, other	(17,939)	-
Prepaid expenses	(2,550)	(583)
Increase (decrease) in:		
Accounts payable	(473,501)	602,787
Accrued salaries payable	7,733	6,480
Payroll taxes payable	(10,484)	13,705
Refundable advances	92,202	12,104
Retainage payable	(144,763)	148,007
Other liabilities	183	(173)
Accrued annual leave	5,462	6,280
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(273,586)</u>	<u>2,491,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	(1,264)	(3,076)
Acquisition of fixed assets	<u>(550,873)</u>	<u>(3,334,862)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(552,137)</u>	<u>(3,337,738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	213,402	-
Proceeds from construction loan	<u>-</u>	<u>1,400,000</u>
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	<u>213,402</u>	<u>1,400,000</u>
NET INCREASE (DECREASE) IN CASH	(812,321)	554,210
CASH, BEGINNING OF YEAR	<u>785,931</u>	<u>231,721</u>
CASH, END OF YEAR	\$ <u>173,610</u>	\$ <u>785,931</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	\$ <u>63,153</u>	\$ <u>48,835</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT IV

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Schedule of Functional Expenses
For the Year Ended December 31, 2008

	Health Care Services	Community Services	Total Program Services	Management and General	Total Expenses
Personnel	\$ 666,471	458,272	1,124,743	561,606	\$ 1,686,349
Fringe benefits	93,822	48,574	140,396	238,574	378,970
Travel	2,213	11,806	14,019	41,636	55,655
Supplies	100,025	48,812	148,837	68,733	217,570
Equipment rental	1,610	1,023	2,633	10,423	13,056
Contractual	181,083	188,640	379,723	137,150	516,873
Legal and accounting	-	3,000	3,000	65,348	68,348
Dues and subscriptions	-	2,442	2,442	14,416	16,858
Printing	507	208	715	2,902	3,617
Repairs and maintenance	14,123	12,739	26,862	57,030	83,892
Insurance	-	-	-	18,013	18,013
Staff recruitment	-	-	-	278	278
Advertisement	2,963	1,273	4,236	44,462	48,698
Security	1,008	526	1,534	15,095	18,229
Continuing education	430	2,325	2,755	9,930	12,685
Communications	9,355	4,111	13,466	18,945	32,411
Licenses and fees	-	989	989	25,741	26,730
Janitorial	39,681	11,715	51,396	29,355	80,751
Space cost	50,683	25,541	76,224	28,977	105,201
Interest	15	16	31	63,122	63,153
Bank charges	-	-	-	11,864	11,864
Moving expenses	-	-	-	39,538	39,538
Board expenses	-	-	-	9,967	9,967
Disposal services	8,362	-	8,362	-	8,362
Other	481	799	1,280	1,284	2,564
Total expenses before depreciation	1,182,832	820,811	2,003,643	1,512,388	3,516,032
Depreciation	-	-	-	204,260	204,260
Total Expenses	\$ 1,182,832	820,811	2,003,643	1,716,649	\$ 3,720,292

The accompanying notes are an integral part of these financial statements.

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 1 - ABOUT THE ORGANIZATION

Capitol City Family Health Center, Inc. (CCFHC), a non-profit corporation, was incorporated in the State of Louisiana as of December 8, 1997. The primary purpose of the Corporation is to deliver primary health services to individuals and families.

The fiscal year of CCFHC is January 1 to December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Capitol City Family Health Center, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$500 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - CCFHC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.
- M. Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 3 - FINANCIAL INSTRUMENTS (Continued)

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 173,610	\$ 173,610
Certificate of Deposit	\$ 56,341	\$ 56,341
Financial liabilities:	Carrying Amount	Fair Value
Short-term note payable	\$1,400,000	\$1,400,000
Line of credit payable	213,402	213,402

**NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS
OF INSURED LIMITS**

The Organization maintains its cash balances in two (2) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008, the Organization did not have any uninsured cash balances.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at December 31, 2008 was \$107,583. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 359,951
Building	3,505,745
Furniture and Equipment	<u>1,180,011</u>
Total Property and Equipment	5,045,707
Less: Accumulated Depreciation	<u>(784,608)</u>
Net Property and Equipment	<u>\$ 4,261,099</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 7 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

NOTE 8 - RETIREMENT PLAN

The Center has a Section 403(b) plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended December 31, 2008, the plan was properly funded. Retirement expense recognized was \$8,051 for the year ended December 31, 2008.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at December 31, 2008 in the amount of \$36,503 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

Capitol City Family Health Center, Inc.'s operations are funded primarily through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Dept. of HHS (Health Center Cluster)	5H80CS00504-08-00	6/1/07 - 5/31/08	\$ 432,407
U.S. Dept. of HHS (Health Center Cluster)	6H80CS00504-07-01	6/1/06-5/31/09	308,688
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	2H76HA00817-05-00	4/1/07-3/31/08	379,764
U.S. Dept. of HHS (Ryan White Title III Early Intervention)	5H76HA00817-06-00	4/1/08-3/31/09	58,986
Louisiana Primary Care Assn. - Operation USA	N/A	7/1/06-6/30/07	11,225
Louisiana Primary Care Assn. - Minority HIV Grant	N/A		1,873
State of Louisiana Capitol Outlay Act	50-NBC-04B-01	N/A	568,894
City of Baton Rouge (Minority Aids Initiative)	N/A	N/A	110,122
Operation USA	N/A	N/A	20,000
Johnson & Johnson	N/A	N/A	6,165
Baton Rouge Area Foundation	N/A	N/A	15,000
Ryan White HIV/AIDS Treatment Modernization Act (City of Baton Rouge)	N/A	4/1/08 - 3/31/2009	268,623
Direct Relief International	N/A	10/1/06-9/30/06	43,499
HIV/AIDS Alliance for Region Two	N/A	7/15/07 - 2/29/08	135,318
National Assn of Comm Hlth Centers	N/A	11/1/05 - 2/1/06	3,460
Social Services Block Grant (CAHS)	N/A	11/1/07 - 10/31/08	44,601
Louisiana State Department of Health (WIC Grant)	654775	10/1/07 - 9/30/2010	232,264
TOTALS			\$ 2,640,889

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 11 - ACCOUNTS RECEIVABLE, GRANTS AND CONTRACTS

Grants and contracts receivable at December 31, 2008 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 43,740
State of Louisiana (Capital Outlay Grant)	568,894
HIV/AIDS Alliance for Region II (HAART)	14,927
City of Baton Rouge (Ryan White Title I)	<u>43,327</u>
Totals	<u>\$ 670,888</u>

NOTE 12 - SHORT-TERM NOTES PAYABLE

In September 2006, the Organization received approval from Region's Bank for a construction loan in the amount of \$1,400,000 to assist in the completion of the newly constructed medical and administrative facility. The proceeds received at December 31, 2008 under this construction loan totaled \$1,400,000. The Organization is required to make monthly interest payments on the proceeds received on this construction loan at a variable rate of 5.37% until its maturity on February 19, 2009.

NOTE 13 - LINES OF CREDIT

Capitol City Family Health Center, Inc. has in place line of credit agreements with two (2) area banks for up to \$500,000 and \$50,000 respectively. The interest rates on these lines of credit are 5% and 8.5% respectively. As of December 31, 2008, \$300,000 and \$36,598 is unused and available on these lines of credit.

NOTE 14 - LITIGATION

Capitol City Family Health Center, Inc. maintains general liability, property, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Capitol City Family Health Center, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of Capitol City Family Health Center, Inc.

NOTE 15 - ADVERTISING

Capitol City Family Health Center, Inc. uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the year ending December 31, 2008, advertising cost totaled \$48,698.

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 16 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 45% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 17 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 18 - COMPARATIVE FINANCIAL STATEMENT INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Prior-year information is not provided for the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

NOTE 19 - REFUNDABLE ADVANCES

The Center records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account at December 31, 2008 is reported as follows:

	NACHC Grant	HHS Health Center Cluster Grant	HHS Ryan White Grant	Operation USA Grant	Louisiana Attorney General Grant	Johnson & Johnson Co. Grant	Baton Rouge Area Fdn Grant	LPCA Minority HH Grant	Disast Relief Grant	TOTALS
Refundable advances, 1/1/2008	\$ 3,458	\$ -	\$ -	\$ 21,225	\$ 25,000	\$ 24,000	\$ 15,000	\$ 1,872	43,499	\$ 144,055
Grant Awards Received	-	577,595	498,873	-	-	-	-	2,000	-	1,078,468
Grant Expenditures	(3,458)	(741,095)	(498,750)	(21,225)	-	(8,154)	(15,000)	(1,872)	(43,499)	(1,281,094)
Refundable advances, 12/31/2008	\$ -	\$ 136,500	\$ 54,923	\$ -	\$ 25,000	\$ 17,836	\$ -	\$ 2,000	-	\$ 236,259

NOTE 20 - SUBSEQUENT EVENTS

The Organization constructed a new facility which was completed during 2007. The facility was partially financed by a \$1,400,000 construction loan from Region's Bank. The terms of this loan requires interest only payments until the loan matures on February 19, 2009. The Organization finalized the permanent financing for the construction loan with Hancock Bank in February 2009.

SUPPLEMENTARY INFORMATION

SCHEDULE A

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Combining Schedule of Support and Revenues
For the Year Ended December 31, 2008

	Grants & Contracts	Health Care Services, net of charity, bad debts and adjustments of \$1,033,954	Other Income	Interest Income	Total
<u>GRANT:</u>					
Section 330 Grant	\$ 741,095	1,216,218	21,025	1,301	\$ 1,979,639
Ryan White Title III Early Intervention	438,750	-	-	-	438,750
WIC Program	232,264	-	-	-	232,264
State of Louisiana Attorney General	-	-	-	-	-
Ryan White Title I (City of Baton Rouge)	268,623	-	-	-	268,623
Minority Aids Initiative (City of Baton Rouge)	110,122	-	-	-	110,122
State of Louisiana Appropriation (LPCA)	568,894	-	-	-	568,894
LPCA - Minority Health	1,872	-	-	-	1,872
HIV/AIDS Alliance for Region Two	135,319	-	-	-	135,319
Natl Assn. of Comm. Hlth Centers	3,460	-	-	-	3,460
LPCA - Operation USA	11,225	-	-	-	11,225
Operation USA	20,000	-	-	-	20,000
Baton Rouge Area Foundation	15,000	-	-	-	15,000
Social Service Block Grant (CAHS)	44,601	-	-	-	44,601
Johnson & Johnson Grant	6,165	-	-	-	6,165
Direct Relief International	43,499	-	-	-	43,499
TOTAL SUPPORT AND REVENUES	\$ 2,640,889	1,216,218	21,025	1,301	\$ 3,879,433

SCHEDULE B

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Schedule of Health Care Services Expenses
For the Year Ended December 31, 2008

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 666,471
Fringe benefits	93,822
Travel	2,213
Supplies	100,025
Equipment rental	1,610
Contractual	191,083
Printing	507
Repairs and maintenance	14,123
Advertisement	2,963
Security	1,008
Continuing education	430
Communications	9,355
Janitorial	39,681
Space cost	50,683
Interest	15
Disposal services	8,362
Other	<u>481</u>
Total	<u>1,182,832</u>
Equipment	
Acquisitions	<u>502,105</u>
Total Expenses	<u>\$ 1,684,937</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Schedule of Community Services Expenses
For the Year Ended December 31, 2008

<u>EXPENSES</u>	<u>WIC</u>	<u>City of Baton Rouge Ryan White Title I</u>	<u>Louisiana Primary Care Operation USA</u>	<u>HHS- Title III Early Intervention</u>	<u>Capital Area Human Services (SSBG)</u>	<u>HIV/AIDS Alliance for Region Two</u>	<u>Louisiana Primary Care Minority Health</u>
Personnel	\$ 146,716	-	11,225	249,102	51,229	-	-
Fringe benefits	7,456	-	-	39,118	-	-	-
Travel	184	-	-	8,601	-	446	-
Supplies	8,673	-	-	32,948	-	-	1,075
Equipment rental	513	-	-	432	-	-	78
Contractual	-	21,116	-	109,606	-	40,704	500
Legal and accounting	-	-	-	3,000	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	208
Repairs and maint.	1,863	-	-	10,876	-	-	-
Advertisement	708	-	-	565	-	-	-
Security	294	-	-	232	-	-	-
Continuing education	225	-	-	2,100	-	-	-
Communications	2,436	-	-	1,675	-	-	-
License and fees	-	-	-	25	-	-	-
Janitorial	11,715	-	-	-	-	-	-
Space cost	14,438	-	-	11,103	-	-	-
Interest	-	-	-	-	-	-	-
Moving expenses	-	-	-	-	-	-	-
Other	299	-	-	386	-	-	12
Total	195,520	21,116	11,225	469,769	51,229	41,150	1,873
Equipment	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-
Total Expenses	\$ 195,520	21,116	11,225	469,769	51,229	41,150	1,873

SCHEDULE C

Operation USA	City of Baton Rouge Minority Aids Initiative	National Association of Community Health Centers	Johnson & Johnson	TOTALS
-	-	-	-	\$ 458,272
-	-	-	-	46,574
-	2,575	-	-	11,806
-	-	3,460	2,656	48,812
-	-	-	-	1,023
-	16,714	-	-	188,640
-	-	-	-	3,000
-	-	-	2,442	2,442
-	-	-	-	208
-	-	-	-	12,739
-	-	-	-	1,273
-	-	-	-	526
-	-	-	-	2,325
-	-	-	-	4,111
-	-	-	964	989
-	-	-	-	11,715
-	-	-	-	25,641
-	16	-	-	16
-	-	-	-	-
-	-	-	-	-
-	-	-	102	799
-	19,305	3,460	6,164	820,811
20,000	-	-	-	20,000
<u>20,000</u>	<u>19,305</u>	<u>3,460</u>	<u>6,164</u>	<u>\$ 840,811</u>

SCHEDULE D

CAPITOL CITY FAMILY HEALTH CENTER, INC.
 Schedule of Management and General Expenses
 For the Year Ended December 31, 2008

<u>EXPENSES</u>	<u>HHS Section 330</u>
Personnel	\$ 561,606
Fringe benefits	238,574
Travel	41,636
Supplies	68,733
Equipment rental	10,423
Contractual	137,150
Legal and accounting	65,348
Dues and subscriptions	14,416
Printing	2,902
Repairs and maintenance	57,030
Insurance	16,013
Staff recruitment	278
Advertisement	44,462
Security	15,095
Continuing education	9,930
Communications	18,945
License, taxes and fees	25,741
Janitorial	29,355
Space cost	28,977
Interest	63,122
Bank and finance charges	11,864
Moving expenses	39,538
Board expenses	9,967
Other	<u>1,284</u>
Total	<u>1,512,389</u>
Equipment	
Acquisitions	<u>13,768</u>
Total Expenses	<u>\$ 1,526,157</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Health Resource & Service Administration</u>			
<u>Bureau of Primary Health Care</u>			
Direct Grants:			
Health Center Cluster	93.224	6H80CS00504-05-01	\$ 432,407
Health Center Cluster	93.224	6H80CS00504-05-01	<u>308,688</u>
			<u>741,095</u>
 Ryan White Title III Early Intervention	 93.918	 2H76HA008170500	 379,764
Ryan White Title III Early Intervention	93.918	5H76HA008170600	<u>58,986</u>
			<u>438,750</u>
 <u>Pass Through City of Baton Rouge, Louisiana</u>			
Ryan White Minority Aids Initiative	93.917	N/A	<u>110,122</u>
 <u>Pass Through City of Baton Rouge, Louisiana</u>			
Ryan White HIV/Aids Treatment Modernization Act	93.928	N/A	<u>268,623</u>
 <u>Pass Through Louisiana Capital Area Human Services District</u>			
Social Services Block Grant	93.667	MH80105	<u>44,601</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,603,191</u>
 <u>U. S. Department of Agriculture</u>			
<u>Pass Through Louisiana State Dept. of Health and Hospitals</u>			
Special Supplement Food Program for Women, Infants and Children	10.577	654775	<u>232,264</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,835,455</u>

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by Capitol City Family Health Center, Inc., for the year ended December 31, 2008, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Capitol City Family Health Center, Inc., it is not intended to and does not present either the financial position or the changes in net assets of Capitol City Family Health Center, Inc.



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Capitol City Family Health Center, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Capitol City Family Health Center, Inc. (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Capitol City Family Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Capitol City Family Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitol City Family Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Capitol City Family Health Center, Inc. in a separate letter dated June 26, 2009.

This report is intended solely for the information and use of the finance committee, management, Board of Directors, and others within the organization and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bank, Finley, White & Co.
June 26, 2009



BANKS, FINLEY, WHITE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Capitol City Family Health Center, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Capitol City Family Health Center, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Capitol City Family Health Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Capitol City Family Health Center, Inc.'s management. Our responsibility is to express an opinion on Capitol City Family Health Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capitol City Family Health Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Capitol City Family Health Center, Inc.'s compliance with those requirements.

In our opinion, Capitol City Family Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Capitol City Family Health Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Capitol City Family Health Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Capitol City Family Health Center, Inc.'s internal control over compliance.

A *control deficiency* in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

This report is intended solely for the information and use of the finance committee, management, Board of Directors, and others within the organization and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bank, Finley, White & Co.
June 26, 2009

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2008

There were no prior year audit findings.

CAPITOL CITY FAMILY HEALTH CENTER, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

Section 1: Summary of Auditor's Results

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | None |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | None |
| | b. Significant efficiency identified that are not considered to be material weaknesses? | None |
| 6. | Any audit findings reported as required by Section .510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | a. CFDA #93.224, Health Center Cluster | |
| | b. CDFA #93.918, Ryan White, Early Intervention Services (EIS) | |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: \$300,000 | |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Findings - Financial Statements Audit

NONE

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE

CAPITOL CITY FAMILY HEALTH CENTER, INC.

MANAGEMENT LETTER

DECEMBER 31, 2008



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS



**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Capitol City Family Health Center, Inc.
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Capitol City Family Health Center, Inc. for the year ended December 31, 2008, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 26, 2009 on the financial statements of Capitol City Family Health Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

INTERNAL CONTROL AND SYSTEMS REVIEW

Recent process changes present an opportunity for the organization to update all of its internal control policies and procedures. Performing a review of current policies and procedures can also greatly assist the Board and management in fully understanding day-to-day activities as well as disclosing any potential current inefficiency.

We recommend that the Board and management consider initiating a thorough review of current internal control procedures and policies and evaluate the need for changes or improvements to enhance the effectiveness and efficiency of current operations.

ELECTRONIC PURCHASES

During our audit, we noted that the organization increased its use of electronic purchases during the year. Although we clearly concur that there can be significant benefits of this process, we believe that effective policies and procedures should be thoroughly developed over this practice.

We strongly suggest that all current processes and controls for check disbursements also be instituted for electronic disbursements. Attributes such as invoice approvals and cancellations should all be present in the electronic disbursement process. We strongly recommend that this practice, as merely a modern version of the traditional check disbursement process, have equally effective internal controls.

APPROVAL OF PURCHASES SHOULD BE IN WRITING

Current procedures do not require that all purchases approved by the Chief Executive Officer have written evidence documenting the approval. This practice could allow for unauthorized purchases to occur and not otherwise be detected.

We suggest that the Chief Executive Officer's approval for purchases should always be clearly written on the face of the check request or purchase order so that it is clear the purchase was proper.

This report is intended solely for the information and use of the Board of Directors, Management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Bank, Finley, White & Co.

June 26, 2009